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MONTANA LEGISLATIVE HISTORY

Chapter 489 19 91

Bill H 328 S _____ Original bill & history ____C

H. Committee on Local Govt		S. Committee on Finance & Claims	
Hearing Date(s) Jan 12	✓ C	Hearing Date(s) Mar 19	✓ C
Jan 19	✓ C	_____	____C
_____	____C	_____	____C
_____	____C	_____	____C
Date Out Jan 20	✓ C	Mar 19	✓ C

Did this bill originate in an interim committee? ____Yes ____No

Committee _____ Report _____

1/22	INTRODUCED		
1/22	REFERRED TO HUMAN SERVICES & AGING		
1/22	FIRST READING		
1/30	HEARING		
2/04	COMMITTEE REPORT—BILL PASSED AS AMENDED		
2/07	2ND READING PASSED AS AMENDED	96	2
2/09	3RD READING PASSED	92	1
	TRANSMITTED TO SENATE		
2/11	FIRST READING		
2/11	REFERRED TO STATE ADMINISTRATION		
2/18	HEARING		
2/19	COMMITTEE REPORT—BILL CONCURRED		
3/05	2ND READING CONCURRED	49	0
3/06	3RD READING CONCURRED	49	0
	RETURNED TO HOUSE		
3/09	SIGNED BY SPEAKER		
3/11	SIGNED BY PRESIDENT		
3/11	TRANSMITTED TO GOVERNOR		
3/14	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 70	EFFECTIVE DATE: 10/01/91	

HB 327 INTRODUCED BY SCHYE
MINIMUM OCTANE RATING OF 87 FOR GASOLINE

1/22	INTRODUCED
1/22	REFERRED TO HIGHWAYS & TRANSPORTATION
1/22	FIRST READING
2/05	HEARING
2/12	TABLED IN COMMITTEE

HB 328 INTRODUCED BY COBB, ET AL.
STATE SINGLE AUDIT ACT
BY REQUEST OF LEGISLATIVE AUDIT COMMITTEE

1/22	INTRODUCED		
1/22	REFERRED TO LOCAL GOVERNMENT		
1/22	FIRST READING		
1/22	FISCAL NOTE REQUESTED		
1/31	FISCAL NOTE RECEIVED		
2/04	FISCAL NOTE PRINTED		
2/12	HEARING		
2/12	REVISED FISCAL NOTE RECEIVED		
2/12	REVISED FISCAL NOTE PRINTED		
2/21	COMMITTEE REPORT—BILL PASSED AS AMENDED		
2/22	REVISED FISCAL NOTE REQUESTED		
2/26	REVISED FISCAL NOTE RECEIVED		
2/27	REVISED FISCAL NOTE PRINTED		
3/05	2ND READING PASSED	96	0
3/07	3RD READING PASSED	96	0
	TRANSMITTED TO SENATE		
3/08	FIRST READING		
3/08	REFERRED TO FINANCE & CLAIMS		
3/19	HEARING		
3/20	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
3/22	2ND READING CONCURRED	48	0
3/23	3RD READING CONCURRED	47	0
	RETURNED TO HOUSE WITH AMENDMENTS		
4/08	2ND READING AMENDMENTS CONCURRED	92	1
4/09	3RD READING AMENDMENTS CONCURRED	97	1
4/16	SIGNED BY SPEAKER		
4/16	SIGNED BY PRESIDENT		
4/16	TRANSMITTED TO GOVERNOR		
4/20	SIGNED BY GOVERNOR		

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0328, as introduced

CRIPTION OF PROPOSED LEGISLATION:

act adopting the state single audit act; generally revising and clarifying the law relating to audits of local government ities; requiring compliance with government auditing standards; authorizing the charging of fees commensurate with cost state services; and providing a delayed effective date and an applicability date.

UMPTIONS:

Approximately 700 governmental units would be required to submit annual reports to the Department of Commerce beginning with FY92. Approximately 450 audits will be required; 350 on an annual basis.
Administrative rules, financial reporting procedures and audit requirements will be developed, published and distributed to local governments and certified public accountants by the end of FY92.
Revised annual financial report forms will be developed, printed and distributed to local governments.
Additional computer equipment and software will be necessary for the required database to administer the program.
In FY92 the department will need an additional 3.00 FTE with 1.00 FTE at grade 17, 1.00 FTE at grade 12, 0.25 FTE at grade 15 and 0.75 FTE at grade 11. State-owned office space will be available.
In FY93 the department will need an additional 2.00 FTE, 1.75 FTE for auditors at grade 15 and 0.25 FTE for a systems technician at grade 12.
Initial start-up costs to implement the program will be paid through an interfund loan from the general fund in FY92.
Program costs in FY93 and subsequent years will be paid with audit report filing fees.
The interfund loan will be repaid over a five-year period with retained earnings from audit report filing fees. The repayment of interfund loans is an off-budget transaction performed at the end of each fiscal year.
Current review fees charged local governments will increase approximately $270,545 in FY93.

SCAL IMPACT:

e next page

1-30-91

ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

JOHN COBB, PRIMARY SPONSOR DATE

Fiscal Note for HB0328, as introduced. HB 328

FISCAL IMPACT:

Dept. of Commerce:	FY 92			FY 93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Differer
Expenditures:						
FTE	0.00	3.00	3.00	0.00	5.00	5.
Personal Services	0	95,570	95,570	0	155,595	155,5
Operating Costs	0	52,330	52,330	0	69,950	69,9
Equipment	0	41,982	41,982	0	0	
Total	0	189,882	189,882	0	225,545	225,5
Funding:						
General Fund	0	189,882	189,882	0	0	
Proprietary Fund	0	0	0	0	225,545	225,5
Total	0	189,882	189,882	0	225,545	225,5
Revenues:						
Audit Review Fees (02)	0	0	0	0	263,521	263,5

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Audit review fees will increase approximately $270,545 in FY93.

TECHNICAL NOTE:

Because of the general fund loan, the bill should be amended in the fee schedule [Section 3(6)] to provide for pay
of the initial loan over five years.

FISCAL IMPACT:
Dept. of Commerce:

	FY 92			FY 93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Expenditures:						
FTE	28.20	30.20	2.00	28.20	31.20	3.00
Personal Services	843,301	911,456	68,155	843,301	948,016	104,715
Operating Costs	256,228	305,953	49,725	256,228	321,344	65,116
Equipment	16,828	58,810	41,982	16,828	16,828	0
Total	1,116,357	1,276,219	159,862	1,116,357	1,286,188	169,831
Funding:						
General Fund	56,440	56,440	0	56,440	56,440	2,000,000
Proprietary Fund:						
Audit Fees	1,059,917	1,029,897	(30,020)	1,059,917	1,004,203	(55,714)
Audit Review Fees	0	189,882	189,882	0	225,545	225,545
Total	1,116,357	1,276,219	159,862	1,116,357	1,286,188	169,831
Revenues:						
Audit Fees	1,059,917	1,029,897	(30,020)	1,059,917	1,004,203	(55,714)
Audit Review Fees	0	189,882	189,882	0	263,545	263,545
Total	1,059,917	1,219,779	159,862	1,059,917	1,267,748	207,831

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

see next page

IV. EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Assume all audits currently required under law are conducted.

Type of Local Government	Number	Audit Req. Current	Audit Req. Proposed	Audit Cost Increases	Audit Cost (Decreases)	Audit Review Fee	Other Savings[2]
Counties & Consolidated City/County Government							
Revenue > $5 million	16	16	16	$ 0	$ 0	$ 12,560	$ (80,000)
Revenue < $5 million	40	40	40	$ 0	$ 0	$ 23,800	$ (40,000)
Incorporated Cities/Towns	127	100	94	$ 0	$(15,200)	$ 46,560	$ (85,000)
Other Entities Subject to Audit							
Current Law[1]	331	115	27	$ 0	$(78,150)	$ 27,185	$ 0
New Under Proposed Law	194	0	18	$ 30,600	$ 0	$ 17,065	$ 0
School Districts							
Revenues > $1 million	113	113	113	$ 0	$ 0	$ 74,920	$ (56,500)
Revenues > $100,000 & < $1 million	139	75	139	$128,000	$ 0	$ 56,060	$ (27,800)
Revenues < $100,000	139	0	0	$ 0	$ 0	$ 0	$ 0
TOTALS	1,107	459	447	$158,600	$(93,350)	$ 263,545	$(209,300)

[1] Cemetery Districts, Irrigation Districts, Rural Fire Districts

[2] Other Savings realized by reduced audit duplication, personal time, fewer audit requirements (ie. district courts and school food services), and the efficient centralization of local government financial information.

TECHNICAL NOTE:

Because of the general fund loan, the bill should be amended in the fee schedule [Section 3(6)] to provide for payback of the initial loan over five years.

HB 328 Rev.

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0328, second reading.

DESCRIPTION OF PROPOSED LEGISLATION:

An act adopting the state single audit act; generally revising and clarifying the law relating to audits of local government entities; requiring compliance with government auditing standards; authorizing the charging of fees commensurate with cost for state services; authorizing an interfund loan from the general fund; and providing a delayed effective date, an applicability date, and a termination date.

ASSUMPTIONS:

1. Approximately 738 governmental units would be required to submit annual reports to the Department of Commerce beginning with FY92. Approximately 384 audits will be required; approximately 250 on an annual basis.
2. Administrative rules, financial reporting procedures and audit requirements will be developed, published and distributed to local governments and certified public accountants by the end of FY92.
3. Revised annual financial report forms will be developed, printed and distributed to local governments.
4. Additional computer equipment and software will be necessary for the required database to administer the program.
5. In FY92 the department will need an additional 1.50 FTE. State-owned office space will be available.
6. In FY93 the department will need an additional 1.00 FTE.
7. Initial start-up costs to implement the program will be paid through an interfund loan from the general fund in FY92. Program costs in FY93 and subsequent years will be paid with audit report filing fees.
8. The interfund loan will be repaid over a five-year period from the revenues from the filing fees provided for in the act. The loan repayment is an off-budget transaction performed at the end of each fiscal year.
9. Audit review fees charged local governments will be approximately $240,934 in FY93. Of this, $142,859 would be paid by OSPI.
10. According to OSPI, 222 school districts will receive revenues in excess of $200,000 or federal financial assistance in excess of $25,000 and qualify for audit under Section 3. The Superintendent will request a review of 10% of the other 170 districts (an additional 17 districts) that receive less than the qualifying amounts. The fee for the 222 districts will be $137,874, including the 17.3% surcharge of $20,304, and the fee for the 17 districts will be $4,985, including the surcharge of $735.
11. Current law FTE expenditures and funding are for current Department of Commerce audit staff. Funding is now provided by audit fees. One FTE position (Grade 14) would be transferred to staff the program and be upgraded (Grade 17) in FY92. One additional FTE position (Grade 12) would be transferred to the program and be upgraded (Grade 15) in FY93. Funding for these positions would be provided by audit review fees.

FISCAL IMPACT:

see next page

2-26-91
ROD SUNDSTED, BUDGET DIRECTOR — DATE
Office of Budget and Program Planning

2/27/91
JOHN COBB, PRIMARY SPONSOR — DATE

Fiscal Note for HB0328, second reading.

HB 328
2nd Reading

FISCAL IMPACT:
Dept. of Commerce:

	FY 92			FY 93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Expenditures:						
FTE	28.20	29.70	1.50	28.20	30.70	2.50
Personal Services	843,301	899,359	56,058	843,301	932,490	89,189
Operating Costs	256,228	304,804	48,576	256,228	314,359	58,131
Equipment	16,828	56,745	39,917	16,828	16,828	0
Total	1,116,357	1,260,908	144,551	1,116,357	1,263,677	147,320
Funding:						
General Fund	56,440	56,440	0	56,440	56,440	0
Audit Fees (06)	1,059,917	1,029,897	(30,020)	1,059,917	1,004,203	(55,714)
Filing Fees (06)	0	172,571	172,571	0	201,034	201,034
Other Fees (06)	0	2,000	2,000	0	2,000	2,000
Total	1,116,357	1,260,908	144,551	1,116,357	1,263,677	147,320
Revenues:						
Audit Fees	1,059,917	1,029,897	(30,020)	1,059,917	1,004,203	(55,714)
Filing Fees	0	172,571	172,571	0	240,934	240,934
Other Fees	0	2,000	2,000	0	2,000	2,000
Total (06)	1,059,917	1,204,468	144,551	1,059,917	1,247,137	187,220

(continued on next page)

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON LOCAL GOVERNMENT

Call to Order: By DIANA WYATT CHAIR, on February 12, 1991, at 3:00 p.m.

ROLL CALL

Members Present:

Diana Wyatt, Chair (D)
Jessica Stickney, Vice-Chair (D)
Joe Barnett (R)
Arlene Becker (D)
Vivian Brooke (D)
Dave Brown (D)
Brent Cromley (D)
Paula Darko (D)
Tim Dowell (D)
Budd Gould (R)
Stella Jean Hansen (D)
Harriet Hayne (R)
Ed McCaffree (D)
Tom Nelson (R)
Jim Rice (R)
Sheila Rice (D)
Richard Simpkins (R)
Norm Wallin (R)

Staff Present: Bart Campbell, Legislative Council
Lois O'Connor, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements:

CHAIR WYATT stated the subcommittee on HB 497 will be **REPS. DARKO, D. BROWN,** and **SIMPKINS.**

HEARING ON HB 328

Presentation and Opening Statement by Sponsor:

REP. COBB, House District 42, Augusta, stated HB 328 is an act adopting the single audit act for local governments. There are 1,107 local government entities who have to do a financial report stating how they have spent federal or state monies. Over 459 of the 1,107 require certain types of audits to be done over a yearly or two year basis. HB 328 would make uniform how the

audits are done. The counties and cities may have two or three auditors to audit the same thing. This costs the agencies money and time when they have the audits. The Department of Commerce will be reviewing all the audits. The biggest objection to HB 328 is the fee concept. If the committee chooses, they can put the words General Fund and send it on to Appropriations. **REP. COBB** presented written testimony. **EXHIBITS 1, 2**

Proponents' Testimony:

Carolyn Hartsog, Gallatin County Auditor, stated Gallatin County has 17 elementary school districts and 6 high school districts. The budgets for the schools are from $26,000 to $310,000. With an office budget of $52,000 and no secretarial help, it is impossible for her to do a complete and professional audit and have them back to the school district by August 15 which is required by statute. **Ms. Hartsog's** audits are monitored by OPI and feels that she cannot perform her duties as a CPA in a manner that will not jeopardize her CPA certificate. These audits should be given to independent auditors. HB 328 will give consistency to the state audits.

Kathy Fabiano, Office of Public Instruction, stated the OPI has been working with the districts and writing an accounting manual for legislation passed requiring school districts to adopt generally accepted accounting principles. They will be able to rely on school district audit reports to determine how OPI has done.

Lyle Nagel, Montana Volunteer Firefighters Association, stated HB 328 would raise their budget monies and exempt more of their associations from audit.

Peggy Parmelee, Montana Association of Conservation Districts, provided written testimony. **EXHIBIT 3**

Susan Reed, Missoula County Auditor, said money that the local governments receive passes through the state and every state agency sends an auditor to audit the same financial data that external auditors are auditing. HB 328 would take the audit responsibility away from the Department of Commerce and include it in the external audit. This would save the counties $7,000 to $10,000 yearly.

Opponents' Testimony:

Bruce Moerer, Montana School Boards Association, stated school boards supported the concept of HB 328 but opposed the filing fee and additional cost it would incur on small counties. The district pays for the audit; and if the state has this type of requirement, they should pay for it.

Alec Hansen, Montana League of Cities and Towns, said the League supports the concept of HB 328 but strongly opposes the fee

system. Montana ranks at the very bottom of the list of state money that goes back to local government. The penalty section of the bill is too severe. The committee should consider funding this bill through the General Fund Appropriation.

Alyce Kuehn, Carter County Conservation District, Ekalaka, said the penalties for withholding money if the audits are not done on time are too harsh. Small towns have small staffs and the annual reports are due October 31. HB 328 pits agency against agency. **Ms. Kuehn** strongly opposed the filing fee.

Questions From Committee Members:

REP. SIMPKINS asked if local governments can accept a federal audit in place of the state audit. **Mary Bryson, Legislative Auditor,** answered that the bill does allow one audit for those entities that receive federal funds. **REP. SIMPKINS** asked **Peggy Parmelee** if that would take care of her concerns. **Ms. Parmelee** said her district did not receive state funds and didn't know how that would affect her district.

REP. McCAFFREE asked **Mary Bryson** why on Page 5, Section 3, Line 23, 2-7-503, there is the word "temporary"; and on Page 11 you pick up the same language. She said the existing law has a temporary section that terminates July 1, 1991, but it depends on the effective date of HB 328. We didn't want two different versions.

REP. WALLIN asked **Carolyn Hartsog** if true audits were a burden. **Ms. Hartsog** stated the word "audit" is confusing. As a CPA, the word "audit" means work according to professional standards. If she cannot do the work according to those standards, she cannot sign her name as a CPA. **REP. WALLIN** asked if she would prefer a form of accounting that wouldn't require as accurate figures. **Ms. Hartsog** said she did not have the staff to perform the functions that the statutes mandate. The statutes say "audit". According to professional standards, she does not have the budget or staff to perform what she considers an "audit". **REP. WALLIN** asked if her argument was with the County Commissioners or the statute. **Ms. Hartsog** said the statutes tell her to do one thing and her professional conscience tells her she can't do it and would like the school district audits contracted out. **REP. SIMPKINS** asked if there were another term besides "audit" that can be used. **Ms. Hartsog** said the profession has a "review" but it doesn't provide an audit.

REP. McCAFFREE asked **Mary Bryson** the definition of noncash assistance on Page 2. She said noncash assistance was food stamps or food commodities as used by the federal government. The bill is patterned to include all of what the federal government defines as financial assistance.

Closing by Sponsor:
REP. COBB said HB 328 would provide a uniform audit system; and if the committee wanted to add the words "General Fund", they could.

HEARING ON HB 367

Presentation and Opening Statement by Sponsor:

REP. J. BROWN, House District 46, Helena, stated HB 367 provides a means to expand the business improvement districts.

Proponents' Testimony:

Mike Casey, Executive Director, Helena Business Improvement District, provided written testimony. **EXHIBIT 4**

Elinor Luse, Business Improvement District, Great Falls, stated their constituents and businesses in the downtown areas want to expand. HB 367 is a housekeeping bill that would allow business improvement districts to expand and it doesn't cost any money.

James Tutwiler, Montana Chamber of Commerce, went on record in support of HB 367. Business improvement districts can help their environments to promote business which helps the community.

Opponents' Testimony: None

Closing by Sponsor:

REP. J. BROWN asked for favorable consideration on HB 367.

EXECUTIVE ACTION ON 367

Motion/Vote: **REP. SIMPKINS MOVED HB 367 DO PASS AND BE PLACED ON CONSENT CALENDAR.** Motion carried unanimously.

HEARING ON HB 354

Presentation and Opening Statement by Sponsor:

REP. SCHYE, House District 18, Glasgow, stated HB 354 would allow County Commissioners to levy 1 mill for fire control activities. It would change the funding for acquiring the monies needed.

Proponents' Testimony:

Gorden Morris, Montana Association of Counties, said the bill would levy 1 mill against all property in the county. **Mr. Morris** offered amendments accepted by **REP. SCHYE. EXHIBIT 5**

HOUSE OF REPRESENTATIVES

LOCAL GOVERNMENT COMMITTEE

ROLL CALL DATE 2-12-91

NAME	PRESENT	ABSENT	EXCUSED
Rep. Paula Darko	X		
Rep. Jessica Stickney, Vice-Chair	X		
Rep. Joe Barnett	X		
Rep. Arlene Becker	X		
Rep. Vivian Brooke	X		
Rep. Dave Brown	X		
Rep. Brent Cromley	X		
Rep. Tim Dowell	X		
Rep. Budd Gould	X		
Rep. Stella Jean Hansen	X		
Rep. Harriet Hayne	X		
Rep. Ed McCaffree	X		
Rep. Tom Nelson	X		
Rep. Jim Rice	X		
Rep. Sheila Rice	X		
Rep. Richard Simpkins	X		
Rep. Norm Wallin	X		
Rep. Diana Wyatt, Chair	X		

CS05LOCGOV.MAN

EXHIBIT 1
DATE 2-12-91
HB 328

EXPLANATION OF HOUSE BILL 328
State Single Audit Act
February 1991

Section 1: Amends 2-7-501, the definition section, to include: audit, board (Board of Public Accountants), financial assistance, financial report, independent auditor (includes department personnel and licensed accountants), local government entity (now includes specific criteria) and revenues (receipts of a local government entity).

Section 2: Amends 2-7-502 to include the short title as the "State of Montana Single Audit Act," and states the purposes of the act.

Section 3: Amends 2-7-503 to require annual financial reports from all local government entities and at least a biennial audit of local government entities which satisfy specific criteria. This section establishes responsibility for financial reporting, the uniform reporting requirements, state agency reliance on audits conducted under this part and special audits.

Section 4: Amends 2-7-504 to provide the department of commerce with rule making authority to establish the general methods and details of accounting of moneys belonging to the local government entity.

Section 5: Amends 2-7-505 to set the audit scope and standards to be used by the independent auditor. Requires the department of commerce to prepare a local government compliance supplement.

Section 6: Amends 2-7-506, expands the department of commerce's rule making authority to establish and maintain a roster of independent auditors authorized to conduct audits of local government entities. Sets up the contracting process used by the department and local government entity to obtain an audit.

Section 7: Amends 2-7-507 to require local government officers and employees provide assistance to the independent auditor.

Section 8: Amends 2-7-508 to give the independent auditor power to examine the books and papers of the local government entity.

Section 9: Amends 2-7-511, replaces department with independent auditor and governmental entity with local government entity.

Section 10: Amends 2-7-512, see comments on section 9.

Section 11: Amends 2-7-513 to establish government auditing standards issued by the U.S. comptroller general as the reporting requirements for the audit reports. Refers to federal regulations for reporting purposes, as adopted by the department. Also establishes the rule making authority for the department regarding the form of the financial report to be submitted annually by the local government entity.

Section 12: Amends 2-7-514 to include the filing of an annual financial report with the department as well as the audit report . In addition, this section establishes the rule making authority for the department to charge a filing fee to the local government entity to cover the costs incurred by the department in the administration of this act. Requires the superintendent of public instruction to submit a list of school districts meeting the criteria in 2-7-503 to the department.

Section 13: Amends 2-7-515 to require the local government entity to adopt measures to correct the report findings and submit a copy of the corrective action plan to the department. Sets up a resolution process when a disagreement between the department and the local government entity occurs.

Section 14: Amends 2-7-516 to provide for compensation to the independent auditor and for the deposit of compensation paid to the department for audit work.

Section 15: Amends 2-7-517 to establish a penalty for failure to file a report as required by 2-7-503 to make payment as required by 2-7-514.

Section 16: Amends 2-7-518, deletes reference to audit fees and replaces governmental with local government.

Section 17: Amends 2-7-521 to conform with the audit requirements detailed in 2-7-503 for local government entities. Includes the publication requirements for counties and incorporated cities and towns and other local government entities.

Section 18: Establishes a new section in law which requires the department to conduct report reviews. Establishes the department responsibilities under this part to review the financial and audit reports submitted in accordance with 2-7-514.

Section 19: Amends 3-5-902 to require the department to develop a uniform accounting system for district courts in accordance with 2-7-504 and deletes the separate annual audit requirement for district courts.

Section 20: Amends 7-6-2352 to remove the audit requirement relating to state grants to district courts. This section now states that an audit conducted in compliance with 2-7-503 satisfies the requirement.

Section 21: Amends 7-6-4113 to refer to the amended sections of 2-7-503.

Section 22: Amends 19-11-204 to require the board of trustees to review the accounts of the association rather than audit the accounts of the association. (Relates to rural fire associations).

Section 23: Amends 19-11-205 to cause rural fire associations to prepare a report in accordance with 2-7-503. Requires the associations to file the report with the department of commerce as well as the state auditor.

EXHIBIT 1
DATE 2-12-91
HB 328

Section 24: Amends 20-9-203 to require all school districts to have an audit in accordance with 2-7-503. Requires that the audit report be filed with the department of commerce and the superintendent of public instruction. Eliminates the provision requiring the county auditor to conduct audits of third class school districts with out a high school.

Section 25: Amends 20-9-213 to remove the biennial audit requirement and reference to the audit requirements of 2-7-503.

Section 26: Amends 20-10-202 to remove the audit requirement associated with the school food services operated by a school district. This section requires the superintendent of public instruction to conduct inspections and administrative reviews of the school food services.

Section 27: New section which sets the codification instructions.

Section 28: New section which sets the effective date, rule making authority and applicability of this act.

EXHIBIT 3
DATE 2-12-91
HB 328

MONTANA Association of Conservation Districts
501 North Sanders (406) 443-5711
Helena, MT 59601

House Bill No. 328
February 12, 1991

My name is Peggy Parmelee and I am the executive vice president of the Montana Association of Conservation Districts and MACD represents the 59 Montana Conservation Districts. Conservation Districts are local government.

We believe that all government entities must financial account for all of the funds they receive. Most of Montana's conservation districts at this time do not receive $100,000 from the 1.5 mills they levy on real property, but they do receive various grants, administrative funds, river restoration, special project money, and so on, that could and would total the higher amount.

I 105 has froze conservation districts at the 1986 dollar amount they received and they do not have the option to raise more funds to pay for an "audit."

An example of what it could cost, MACD works on a budget of approximately $80,000 per year, but because of federal funds that pass through our office to conservation districts, we are required to have a yearly audit that meets federal standards. This costs us a little over $3,000 a year.

The people who perform the audit have worked with us for many years and are located in Sidney, Montana. Two years ago, we decided that it would probably be easier for us to have a CPA in Helena do the work. We sent out for bids and only received one inquiry, and that business decided did not want to do the work.

I also visited with my own private CPA about audits and asked him if he did this type of work. He said no because he was required to carry liability insurance which cost him $10,000 per year and he would have to do a lot of audits to make it pay.

We also have concern about the "Fee" part of this bill and what that fee could amount to. It is often easy to put in a word at a time like this, but when it comes time to write the rules the real story comes out. That fee could be $10 or it could be $200 or more.

The cost of "publication" is another expense that would be incurred.

MACD would recommend that this bill be amended in some way that an accounting of the money be acceptable other than an "audit."

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Local Govn. COMMITTEE BILL NO. HB 328

DATE 2-12-91 SPONSOR(S) Cobb.

PLEASE PRINT **PLEASE PRINT** **PLEASE PRINT**

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Carolyn Hartsog	Gallatin County	✓	
Harvey E Lohr	MT State Vol Firefighters Assn	X	
Peggy Parmelee	MT Assoc. of Conservation Dist.	X	*
Newell Anderson	Dept of Commerce	—	
Mike Duncan	Dept of Commerce	—	
Kathy Fabiano	OPI	X	
Gordon Morris	MACo		
Clifford Keeler	Town of Ekalaka		X
	Carter Co. Conservation D.		X
Susan Good	M.S.L.A. Co. Treasurer	✓	
Scott Seacat	Legislative Auditor		
Alec Hansen	MLCT		✓
Bruce W. Moerer	MSBA *Use only filing fee and add'l cost to small districts		✓
Mary Bryson	Leg. Auditor		

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS

Vote: Motion to amend carried 17 to 1 with **REP. McCAFFREE** voting no.

Motion/Vote: REP. D. BROWN MADE A SUBSTITUTE MOTION THAT HB 155 DO PASS AS AMENDED. Motion carried 11 to 7 with **REPS. CROMLEY McCAFFREE, WYATT, WALLIN, DARKO, BARNETT,** and **SIMPKINS** voting no.

EXECUTIVE ACTION ON HB 328

Discussion:

REP. S. RICE stated HB 328 would create a state central audit. She explained the amendments.

REP. DARKO asked if OPI would take up the cost of the audits for school districts and if they had been in contact with OPI to see if they would assume this in their budget. **REP. SIMPKINS** said that OPI will take the funds out of the state equalization fund. When it comes back for review, they are going to have to look at the funding sources. **REP. DARKO** asked if it will be paid for by filing fees or surtaxes on filing fees. **Scott Seacat, Legislative Auditor,** stated these audits are not done by his office but by local government service auditors or agencies. At the close of the fiscal year end, the Department will start billing for the filing of reports and desk review for various audits. There will be a five year General Fund loan. **REP. SIMPKINS** said they are not dealing with the cost of the audit but with a filing fee for the DOC to collect all audits and financial reports to come into one central location.

REP. McCAFFREE asked if the increase from $100,000 to $200,000 in amendment #4 meet federal requirements. **Mr. Seacat** said under the Federal Single Audit Act, any agency requiring $25,000 of federal money must have an audit. An agency under that amount needs no audit. **REP. McCAFFREE** said local governments have not received any relief from I-105. These governments will still have to pay for their audits. **Mr. Seacat** said because of the amendment from $100,000 to $200,000, local governments will get a substantial savings.

Motion/Vote: REP. S. RICE moved the amendments to HB 328. Motion carried unanimously. **EXHIBIT 15**

Motion/Vote: REP. GOULD MOVED HB 328 DO PASS AS AMENDED. Motion passed 17 to 1 with **REP. McCAFFREE** voting no.

EXECUTIVE ACTION ON HB 106

Motion: REP. D. BROWN MOVED HB 106 DO PASS.

Discussion:

REP. BROWN stated the HB 106 allows self-governing counties and

HOUSE STANDING COMMITTEE REPORT

February 20, 1991

Mr. Speaker: We, the committee on Local Government report that House Bill 328 (first reading copy -- white) do pass as amended.

Signed: Diana Wyatt
Diana Wyatt, Chairman

And, that such amendments read:

1. Title, line 10.
Following: ";"
Insert: "AUTHORIZING AN INTERFUND LOAN FROM THE GENERAL FUND;"

2. Title, line 15.
Strike: "AND"
Insert: ","

3. Title, line 16.
Following: "DATE"
Insert: "AND A TERMINATION DATE"

4. Page 2, line 7.
Strike: "recipient"
Insert: "local government entity"

5. Page 3, line 4.
Strike: "public"
Insert: "licensed"

6. Page 4, line 17.
Strike: "and"

7. Page 4, line 18.
Following: "districts"
Insert: "; and
(xxvii) grazing districts"

8. Page 7, line 18.
Strike: "$100,000"
Insert: "$200,000"

9. Page 8, line 4.
Following: "department"
Insert: ", or, in the case of a school district, if directed by the department at the request of the superintendent of public instruction"

10. Page 13, line 13.
Following: "department"
Insert: ", or, in the case of a school district, if directed by the department at the request of the superintendent of public instruction"

11. Page 17, line 22.
Following: "department"
Insert: ", in consultation with the board,"

12. Page 24, line 17.
Following: "fee"
Insert: "to any local government entity required to have an audit under [section 3], which fee must be"

13. Page 24, line 18.
Following: "part."
Insert: "The filing fees for school districts required by this section must be paid by the superintendent of public education from the funds appropriated for state equalization aid as defined in 20-9-343."

14. Page 26, line 18.
Following: "fee"
Insert: "to any local government entity required to have an audit under [section 3], which fee must be"

15. Page 26, line 19.
Following: "part."
Insert: "Notwithstanding the provisions of 20-9-343, the filing fees for school districts required by this section must be paid by the superintendent of public instruction from the state equalization aid account."

16. Page 27, following line 1.
Insert: "(4) The department is authorized under this part to charge a surcharge on the filing fee to generate the necessary revenue to repay the general fund loan over a 5-year period."

17. Page 29, line 11.
Following: "2-7-503(1)"
Insert: ", unless an extension has been granted by the department for good cause shown,"

18. Page 33, line 17.
Following: "report"
Insert: "of the significant issues of noncompliance"

19. Page 43, following line 3.
Insert: "New Section. Section 27. Estimate of cost savings. The governor shall include in his proposed budget submitted to the 53rd legislature an estimate of cost savings to state agencies resulting from the implementation of [this act].
New Section. Section 28. Interfund loan from the general fund. Costs incurred by the department of commerce during fiscal year ending June 30, 1992, in adopting rules to implement [this act] and in preparing for the implementation of [this act], up to the approved appropriation for this purpose, are to be funded by an interfund loan from the general fund that must be repaid over a 5-year period from the revenues from the filing fees provided for in [this act]."
Renumber: subsequent sections

20. Page 43, following line 13.
Insert: "New Section. Section 31. Termination date. Section 2-7-514(4), as added in [section 12], terminates June 30, 1997."

EXHIBIT 15
DATE 2-19-91
HB 328

Amendments to House Bill No. 328
First Reading Copy

For the Committee on Local Government

Prepared by Bart Campbell
February 20, 1991

1. Title, line 10.
Following: ";"
Insert: "AUTHORIZING AN INTERFUND LOAN FROM THE GENERAL FUND;"

2. Title, line 15.
Strike: "AND"
Insert: ","

3. Title, line 16.
Following: "DATE"
Insert: "AND A TERMINATION DATE"

4. Page 2, line 7.
Strike: "recipient"
Insert: "local government entity"

5. Page 3, line 4.
Strike: "public"
Insert: "licensed"

6. Page 4, line 17.
Strike: "and"

7. Page 4, line 18.
Following: "districts"
Insert: "; and
(xxvii) grazing districts"

8. Page 7, line 18.
Strike: "$100,000"
Insert: "$200,000"

9. Page 8, line 4.
Following: "department"
Insert: ", or, in the case of a school district, if directed by the department at the request of the superintendent of public instruction"

10. Page 13, line 13.
Following: "department"
Insert: ", or, in the case of a school district, if directed by the department at the request of the superintendent of public instruction"

11. Page 17, line 22.
Following: "department"
Insert: ", "

12. Page 24, line 17.
Following: "fee"
Insert: "to any local government entity required to have an audit under [section 3], which fee must be"

13. Page 24, line 18.
Following: "part."
Insert: "The filing fees for school districts required by this section must be paid by the superintendent of public education from the funds appropriated for state equalization aid as defined in 20-9-343."

14. Page 26, line 18.
Following: "fee"
Insert: "to any local government entity required to have an audit under [section 3], which fee must be"

15. Page 26, line 19.
Following: "part."
Insert: "Notwithstanding the provisions of 20-9-343, the filing fees for school districts required by this section must be paid by the superintendent of public instruction from the state equalization aid account."

16. Page 27, following line 1.
Insert: "(4) The department is authorized under this part to charge a surcharge on the filing fee to generate the necessary revenue to repay the general fund loan over a 5-year period."

17. Page 29, line 11.
Following: "2-7-503(1)"
Insert: ", unless an extension has been granted by the department for good cause shown,"

18. Page 33, line 17.
Following: "report"
Insert: "of the significant issues of noncompliance"

19. Page 43, following line 3.
Insert: "New Section. **Section 27. Estimate of cost savings.** The governor shall include in his proposed budget submitted to the 53rd legislature an estimate of cost savings to state agencies resulting from the implementation of [this act].
New Section. **Section 28. Interfund loan from the general fund.** Costs incurred by the department of commerce during fiscal year ending June 30, 1992, in adopting rules to implement [this act] and in preparing for the implementation of [this act], up to the approved appropriation for this purpose, are to be funded by an interfund loan from the general fund that must be repaid over a 5-year period from the revenues from the filing fees provided for in [this act]."
Renumber: subsequent sections

20. Page 43, following line 13.

2-19-91
328

Insert: "New Section. **Section 31. Termination date.** Section 2-7-514(4), as added in [section 12], terminates June 30, 1997."

pay the bank to handle the overnight money. When asked by Senator Aklestad where the overnight money was handled, Mr. Lewis said most of it was going to City Corp, and they have a repossession contract with Helena First National as they were awarded the bank contract by the State treasurer. On the national markets, they go to City Corp and also have done some with Chase. He added that all overnight money is collateralized, and they have 102 percent collateral pledged for the repossessions. Mr. Lewis said they at all times are fully invested; they never have any cash laying in the account. Regarding a question from Senator Aklestad as to time of transactions, Mr. Lewis said money has to be in City Corp by 3:00 Montana time each day which would be 5:00 in the east.

Closing by Sponsor:

Rep. Wanzenried closed by saying HB 146 was a revenue positive bill where money can be made for the state.

HEARING ON HOUSE BILL 328

Presentation and Opening Statement by Sponsor:

Representative Cobb, District 42, sponsor, stated Mary Bryson of the Legislative Auditor's office was passing out testimony relative to the bill. He added that her office is present for technical questions rather than showing support for the bill. (See Exhibit 2) He indicated with this bill there would be uniform audits on any local entity spending more than $200,000 a year or more than $25,000 of federal money. He noted amendments have been made to the bill which he discussed with the committee. (See Exhibits 3, 4) He concluded HB 328 expands the State's single audit to allow local governments, instead of having several auditors come in and review them, one auditor will do it, and it also makes uniform law so there will not be different audit requirements for different entities in local government.

Proponents' Testimony:

David Johnson, Certified Public Accountant, Helena, and also the chairman of the governmental relations committee of the Montana Society of CPA's, said the Society has worked with representatives of state government in developing HB 328 and they support the bill and urge passage.

Mr. Lyle Nagel, Montana State Volunteer Firefighters Association, stated their support of HB 328 and said their association is probably one of the largest beneficiaries of the bill and would urge passage.

Kim Enkerud, Executive Secretary, Montana Association of State Grazing Districts, stated she worked with Mary Bryson

regarding the amendment to HB 328 (See Exhibit 3) and supported the bill with the amendment.

Susan Reed, Missoula County Auditor, stated her support of HB 328, saying the federal single audit act allowed the external auditor of local governments to audit the entire unit, not each individually. She said it was unfortunate that state agencies are not taking advantage of the opportunity. She said the duplication of effort now costs a local government entity a minimum of $1,000 to $1,200 in staff time for each audit and that the proposed legislation would save counties from $7,000 to $10,000 annually. The Department of Commerce in auditing district court reimbursements for all judicial districts would be changed under this proposed legislation, and they estimate an additional $2,000 in savings. She added that even though savings for state agencies haven't been looked at by eliminating the financial audit function, there would be savings at all government levels.

Peggy Parmelee, Executive Vice President of the Montana Association of Conservation Districts, stated her support of HB 328 as amended in that it makes the bill more workable for the conservation district. She added most conservation districts do not come close to receiving the amount of money from the 1.5 mills that is talked about in the bill but with grants and funding programs that they do receive project money from, there is a possibility that their total funding could have totalled up to the $100,000. She added her support to the amendment (Exhibit 3) as the districts are paying grazing fees rather than receiving funding.

Opponents' Testimony:

None

Questions From Committee Members:

Senator Waterman questioned why the number of school district audits went up. Ms. Bryson said in the past school districts were excluded from the audit legislation. Under this legislation there is no distinction between which class of district the school is but rather the amount of revenue they receive.

Senator Harding asked what would happen with the county external audits. Ms. Bryson said all counties are required by law to have an external audit of their financial records done on an annual basis. In addition, if the county receives any federal government money through the state, state agencies send out auditors to review financial records associated with that particular grant or dollar amount. HB 328 requires that those state agencies have to place reliance upon the external audit prior to going to the county to review the financial records. One audit will be done by the county or local government and any

other auditors from either the federal or state would have to first review that audit report. Rep. Cobb said it will save time and money in that auditors hired would look at the report before numerous other auditors came in on projects.

When questioned by Senator Keating why the cap of $200,000 was established to determine whether an audit was made, Ms. Bryson said the federal single audit act which was referred to by Rep. Cobb initially established a threshold of $100,000 and that is what was originally proposed in this legislation; however because of the impact of the local government level, the dollar amount was raised to $200,000 to alleviate the smaller entities. Senator Keating asked if any thought was given to indexing this amount for inflation over a period of time or if later legislation more audits would have to be done in the future. Rep. Cobb said they did not index it as he felt the smaller ones wouldn't be at the $200,000 level for awhile. He added if the Department of Commerce thinks something is going wrong and they are below the audit requirements, they could require an audit. He said when they get to the $200,000 level, maybe they should have audits.

Senator Jacobson questioned if in setting this up, local governments would use someone from the Department of Commerce's list. Ms. Bryson said that was correct, they currently don't maintain a list, and HB 328 gives them authority to maintain that list and authority to require the local government to use someone off that list. Regarding people getting on the list, Rep. Cobb said they would have to be qualified to do audits. When Senator Hammond asked regarding a grievance procedure in using auditors, Ms. Bryson said HB 328 allows for an application process so any local certified public accountant could apply through that process and as long as the minimum criteria are satisfied, they would be put on the roster.

Senator Jacobson questioned Ms. Bryson as to what besides maintaining a roster they were doing that is requiring two extra people and then three extra people at the Department of Commerce. Ms. Bryson said HB 328 establishes a process whereby the Department will be reviewing the financial report submitted on an annual basis and then reviewing the audit report for technical compliance with federal and state regulations. Currently that is not completed anywhere in state government.

Senator Hockett questioned where the community colleges are shown in the bill. Rep. Cobb said they are part of the university system and are audited through the Legislative Auditors' office.

Regarding the roster of independents and if the bidding process is being gone through for particular jobs, Ms. Bryson said that would still occur, and it is up to the local government entity.

Closing by Sponsor:

Representative Cobb closed by saying it is a good governed bill that will save money and make better options at local entities.

EXECUTIVE ACTION ON HOUSE BILL 551

Discussion:

Scott Anderson, Department of Health and Environmental Sciences, stated after the hearing on 3/14/91, they met with the State's bond counsel, Dorsey & Whitney, and the State's bond underwriters, where they did a final review of the documents pertaining to the state revolving fund. He referred the committee to documents pertaining to amendments to HB 551. (See Exhibits 4, 5, 6)

Regarding a question from Senator Keating as to the type of projects, Mr. Anderson said the eligibilities in this program include sewer collection systems, sewage treatment plants, engineering studies, legal costs and nonpoint source control projects. Anna Miller from the Department of Natural Resources said there is one Missoula project where the Department of Highways is going to be tearing up a section of street and at the same time sewer lines will be laid in that section.

Senator Beck questioned the title of HB 551 in how it related to indenture of trust. Ms. Miller said they issue a bond resolution where the state is used as the fiscal agent; under that situation you do a document called a bond resolution. When a trustee is used to manage money for them, you use a contractual arrangement document called an indenture of trust. They are basically the same document. In one, you are using a trustee that is contracted, and in the other you are doing the work yourself under a bond resolution document.

Senator Waterman questioned amendment 17 of Exhibit 6 as to effective date of HB 551. Ms. Miller said Section 3, the effective date, should be left in the bill.

In a question from Senator Aklestad regarding an amendment in the title, line 11, Ms. Miller said it should be amended to read after "federal allocation account", the insertion of "authorizing bonds to be issued" rather than after the first "account" in line 11.

Amendments, Discussion, and Votes:

Senator Keating moved the amendments to HB 551. Motion carried unanimously.

Motion:

Senator Keating moved that HB 551 AS AMENDED BE CONCURRED IN.

Recommendation and Vote:

Regarding a question from Senator Beck on bonding done by the state and control of the bonds, Ms. Miller said long range building goes over all bonds that are issued. There is a financial adviser that tells them how they are doing and if good decisions are being made. They are also reviewed by the fiscal analyst and the auditor's office.

Motion that HB 551 AS AMENDED BE CONCURRED IN carried unanimously. Senator Waterman will carry the bill.

EXECUTIVE ACTION ON HOUSE BILL 146

Motion:

Senator Keating moved that HB 146 BE CONCURRED IN.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Motion that HB 146 BE CONCURRED IN carried unanimously. Senator Keating will carry HB 146.

EXECUTIVE ACTION ON HOUSE BILL 328

Amendments, Discussion, and Votes:

Senator Jergeson moved amendments to HB 328. Motion carried unanimously.

Motion:

Senator Jergeson moved that HB 328 AS AMENDED BE CONCURRED IN.

Recommendation and Vote:

Motion that HB 328 AS AMENDED BE CONCURRED IN carried

unanimously. Senator Jergeson will carry HB 328.

EXECUTIVE ACTION ON HOUSE BILL 586

Motion:

Senator Keating moved that HB 586 BE CONCURRED IN.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Motion that HB 586 BE CONCURRED IN carried unanimously. Senator Bengtson will carry HB 586.

EXECUTIVE ACTION ON HOUSE BILL 142

Motion:

Senator Jergeson moved that HB 142 BE CONCURRED IN.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Motion that HB 142 BE CONCURRED IN carried with Senators Aklestad and Devlin opposed. Senator Jacobson will carry HB 142.

EXECUTIVE ACTION ON SENATE BILL 62

Amendments, Discussion, and Votes:

Pam Joehler from the LFA explained amendments to SB 62. (See Exhibit 7). She noted that the amendments place into the law that the Board of Regents are responsible for submitting the unified budget rather than each individual university unit. Senator Jacobson added the amendments don't change the intent of

ROLL CALL

FINANCE & CLAIMS COMMITTEE

DATE 3/19/91

____ LEGISLATIVE SESSION ____

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACOBSON CHAIRMAN	P		
SENATOR JERGESON, VICE CHAIRMAN	P		
SENATOR AKLESTAD	P		
SENATOR BECK	P		
SENATOR BENGTSON	P		
SENATOR BIANCHI	P		
SENATOR DEVLIN	P		
SENATOR FRITZ	P		
SENATOR HAMMOND	P		
SENATOR HARDING	P		
SENATOR HOCKETT	P		
SENATOR KEATING	P		
SENATOR MANNING			E
SENATOR NATHE		A	
SENATOR STIMATZ	P		

Each day attach to minutes.

ROLL CALL

FINANCE & CLAIMS COMMITTEE, CONTINUED

DATE_____

____ LEGISLATIVE SESSION ____

NAME	PRESENT	ABSENT	EXCUSED
SENATOR TVEIT	✓		
SENATOR VAUGHN	✓		
SENATOR WATERMAN	✓		
SENATOR WEEDING	✓		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

March 19, 1991

MR. PRESIDENT:
We, your committee on Finance and Claims having had under consideration House Bill No. 328 (third reading copy -- blue), respectfully report that House Bill No. 328 be amended and as so amended be concurred in:

1. Page 4, line 19.
Following: ";"
Insert: "and "

2. Page 4, lines 20 and 21.
Following: "districts" on line 20
Strike: remainder of line 20 through "DISTRICTS" on line 21

3. Page 13, line 7.
Following: "excess of"
Strike: "$100,000"
Insert: "$200,000"

Signed: Judy Jacobson
Judy H. Jacobson, Chairman

LB 3-20-91
Amd. Coord.

3-20 1:45
Sec. of Senate

EXPLANATION OF HOUSE BILL 328
State Single Audit Act
March 1991

Section 1: Amends 2-7-501, the definition section, to include: audit, board (Board of Public Accountants), financial assistance, financial report, independent auditor (includes department personnel and licensed accountants), local government entity (now includes specific criteria) and revenues (receipts of a local government entity).

Section 2: Amends 2-7-502 to include the short title as the "State of Montana Single Audit Act," and states the purposes of the act.

Section 3: Amends 2-7-503 to require annual financial reports from all local government entities and at least a ~~biennial audit~~ of local government entities which satisfy specific criteria (revenues in excess of $200,000). This section establishes ~~responsibility for financial~~ reporting, the uniform reporting requirements, state agency reliance ~~on~~ audits conducted under this part and special audits.

$25,000 required

Section 4: Amends 2-7-504 to provide the department of commerce with rule making authority to establish the general methods and details of accounting of moneys belonging to the local government entity.

Section 5: Amends 2-7-505 to set the audit scope and standards to be used by the independent auditor. Requires the department of commerce to prepare a local government compliance supplement.

Section 6: Amends 2-7-506, expands the department of commerce's rule making authority to establish and maintain a roster of independent auditors authorized to conduct audits of local government entities. Sets up the contracting process used by the department and local government entity to obtain an audit.

Section 7: Amends 2-7-507 to require local government officers and employees provide assistance to the independent auditor.

Section 8: Amends 2-7-508 to give the independent auditor power to examine the books and papers of the local government entity.

Section 9: Amends 2-7-511, replaces department with independent auditor and governmental entity with local government entity.

Section 10: Amends 2-7-512, see comments on section 9.

Section 11: Amends 2-7-513 to establish government auditing standards issued by the U.S. comptroller general as the reporting requirements for the audit reports. Refers to federal regulations for reporting purposes, as adopted by the department. Also establishes the rule making authority for the department regarding the form of the financial report to be submitted annually by the local government entity.

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 2
DATE 3-19-91
BILL NO. HB 328

Section 12: Amends 2-7-514 to include the filing of an annual financial report with the department as well as the audit report . In addition, this section establishes the rule making authority for the department to charge a filing fee to any local government entity required to have an audit under this act to cover the costs incurred by the department in the administration of this act. The filing fee for school districts shall be paid by the superintendent of public instruction from the funds appropriated for state equalization aid. Requires the superintendent of public instruction to submit a list of school districts meeting the criteria in 2-7-503 to the department. Allows the department to charge a surcharge on the filing fee to repay the general fund loan over a five year period.

Section 13: Amends 2-7-515 to require the local government entity to adopt measures to correct the report findings and submit a copy of the corrective action plan to the department. Sets up a resolution process when a disagreement between the department and the local government entity occurs.

Section 14: Amends 2-7-516 to provide for compensation to the independent auditor and for the deposit of compensation paid to the department for audit work.

Section 15: Amends 2-7-517 to establish a penalty for failure to file a report as required by 2-7-503 to make payment as required by 2-7-514.

Section 16: Amends 2-7-518, deletes reference to audit fees and replaces governmental with local government.

Section 17: Amends 2-7-521 to conform with the audit requirements detailed in 2-7-503 for local government entities. Includes the publication requirements for counties and incorporated cities and towns and other local government entities.

Section 18: Establishes a new section in law which requires the department to conduct report reviews. Establishes the department responsibilities under this part to review the financial and audit reports submitted in accordance with 2-7-514.

Section 19: Amends 3-5-902 to require the department to develop a uniform accounting system for district courts in accordance with 2-7-504 and deletes the separate annual audit requirement for district courts.

Section 20: Amends 7-6-2352 to remove the audit requirement relating to state grants to district courts. This section now states that an audit conducted in compliance with 2-7-503 satisfies the requirement.

Section 21: Amends 7-6-4113 to refer to the amended sections of 2-7-503.

Section 22: Amends 19-11-204 to require the board of trustees to review the accounts of the association rather than audit the accounts of the association. (Relates to rural fire associations).

Section 23: Amends 19-11-205 to cause rural fire associations to prepare a report in accordance with 2-7-503. Requires the associations to file the report with the department of commerce as well as the state auditor.

Section 24: Amends 20-9-203 to require all school districts to have an audit in accordance with 2-7-503. Requires that the audit report be filed with the department of commerce and the superintendent of public instruction. Eliminates the provision requiring the county auditor to conduct audits of third class school districts with out a high school.

Section 25: Amends 20-9-213 to remove the biennial audit requirement and reference to the audit requirements of 2-7-503.

Section 26: Amends 20-10-202 to remove the audit requirement associated with the school food services operated by a school district. This section requires the superintendent of public instruction to conduct inspections and administrative reviews of the school food services.

Section 27: New section which requires the governor to include in his proposed budget to the 53rd legislature an estimate of cost savings to state agencies resulting from the implementation of this act.

Section 28: New section which establishes an interfund loan from the general fund to the department of commerce for the costs incurred by the department in the first year of operation of the program (FY 1992).

Section 29: New section which sets the codification instructions.

Section 30: New section which sets the effective date, rule making authority and applicability of this act.

Section 31: New section which terminates the surcharge section at the end of the five-year period.

Attachment B

LOCAL GOVERNMENT ENTITIES SUBJECT TO AUDIT
(Estimated)

Type of Local Government	Number	Under Under Current Law	Proposed Legislation
Counties & Consolidated City/County Govts	56	56	56
Incorporated Cities	49	49	48
Incorporated Towns	77	51	32
School Districts	391	188	222
Airport Authorities	8	0	2
Cemetery Districts	81	18	0
Conservation Districts	59	0	1
Drainage Districts	23	0	0
Flood Control Districts	1	0	0
Hospital Districts	17	0	2
Irrigation Districts	71	35	13
Port Authorities	2	0	0
Refuse Districts	18	0	2
Rural Fire Districts	179	62	5
Television Districts	65	0	0
Urban Transportation Districts	1	0	1
County Sewer Districts	14	0	0
County Water Districts	15	0	0
County Water & Sewer Districts	2	0	0
Total	1,129	459	384

New Law:

Audit required for entities which receive or maintain fiscal year financial assistance or revenues in excess of $100,000. (Two year audit requirement)

"Local Governmental Entity" means a county, city, district or public corporation upon which is conferred the powers of state (i.e. raise revenue) for the purpose of serving the general public and is governed by a board, commission or individual elected or appointed by the public or representatives of the public and receives local, state or federal financial assistance.

Local Governmental Entities include but are not limited to:

Airport Authority Districts
Cemetery Districts
Counties
County Housing Authority
County Road Improvement Districts
County Sewer Districts
County Water Districts
County Weed Control Districts
Drainage Districts
Fire Dept Relief Associations
Fire Districts
Hospital Districts
Incorporated Towns/Cities
Irrigation Districts
Municipal Housing Authority Districts
Mosquito Districts
Port Authority
Refuse Disposal Districts
Rural Improvement Districts
School District Extracurricular Funds
School Districts
Soil Conservation Districts
Television Districts
Urban Transportation Districts
Volunteer Fire Departments
Water Conservancy Districts

Old Law:

(1) The department shall audit the affairs of all:
- (a) counties;
- (b) incorporated cities and towns (population > 300);
- (c) first- and second-class school districts and third-class school districts that maintain a high school;
- (d) school district extracurricular funds;
- (e) irrigation districts (expenditures > $30,000);
- (f) conservancy districts;
- (g) fire districts and volunteer fire departments in unincorporated areas, towns, and villages supported by a mill levy, except as provided in subsection (6);
- (h) fire department relief associations, except as provided in subsection (6); and
- (i) cemetery districts (expenditures > $25,000).

(6) (a) Except as provided in subsection (6)(c), the department may not audit:
- (i) a fire district which has an annual budget of less than $20,000 and in which fire protection is provided solely by a fire company composed only of volunteer firefighters organized under Title 7, chapter 33; or
- (ii) a fire department relief association organized under Title 19, chapter 11, which has annual receipts, including earnings on invested funds, of less than $20,000, except for audits as provided under 19-11-206.

(b) Such fire district shall annually file with the board of county commissioners of the county in which the majority of the district is located an itemized account of all receipts and expenditures for the year, signed under oath by an officer of the fire company designated by the fire district trustees.

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Attachment B

LOCAL GOVERNMENT ENTITIES SUBJECT TO AUDIT
(Estimated)

Type of Local Government	Number	Under Under Current Law	Proposed Legislation
Counties & Consolidated City/County Govts	56	56	56
Incorporated Cities	49	49	48
Incorporated Towns	78	51	46
School Districts	391	188	252
Airport Authorities	8	0	3
Cemetery Districts	81	18	1
Conservation Districts	36	0	2
Drainage Districts	23	0	0
Flood Control Districts	1	0	1
Hospital Districts	17	0	6
Irrigation Districts	71	35	17
Port Authorities	2	0	0
Refuse Districts	18	0	3
Rural Fire Districts	179	62	9
Television Districts	65	0	0
Urban Transportation Districts	1	0	1
County Sewer Districts	14	0	1
County Water Districts	15	0	1
County Water & Sewer Districts	2	0	0
Total	1,107	459	447

March 19, 1991

Amendments to House Bill 328

House Second Reading Bill

1. Page 4, line 19.
   Following: ";"
   Insert: "and"

2. Page 4, line 20.
   Following: "districts"
   Strike: "; AND"
   Insert: "."

3. Page 4, line 21.
   Strike: "(XXVII) GRAZING DISTRICTS."

4. Page 13, line 7.
   Following: "excess of"
   Strike: "$100,000"
   Insert: "$200,000"

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 3
DATE 3-19-91
BILL NO. HB 328

DATE 3-19-91

COMMITTEE ON Finance & Claims

HB 146, HB 328, HB 586

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Oppo
Wayne Welgel	Dept of Nat Res & Con.	HB58C	X	
Scott Anderson	MDHES	HB 551	X	
Atwell Anderson	DOC	HB 505	—	—
MIKE CUNCHA	COMMERCE	HB 328	—	—
Peggy Pavnelee	MT. Assoc. of Conn. Dist	HB 328	Amended ✓	
Dave Jones	MT Soil Cons Dists	✓	✓	
Susan Reed	MSLA Co Auditor	328	✓	
Jim Enkerud	MT Assn. State Grazing Dist.	328	✓	

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Assume all audits currently required under law are conducted. School district audit review fees will be paid by the Superintendent of Public Instruction.

Type of Local Government	Audit Req Number	Audit Req Current	Audit Cost Proposed	Audit Cost Increases	Audit Decreases	1 Other Review Fee	2 Savings	Net Impact
Counties & Consolidated City/County Government	56	56	56	0	0	41,619	(128,000)	(86,381)
Incorporated Cities/Towns	126	100	71	0	(72,500)	(44,954)	(6,000)	(33,546)
Other Entities Subject To Audit	556	115	26	9,200	(91,750)	11,502	0	(71,048)
School Districts	391	188	222	68,000	0	0	(84,300)	(16,300)
Totals	1,129	459	384	77,200	(164,250)	98,075	(218,300)	(207,275)

1. Audit Review Fees will be subject to a fee schedule adopted through Administrative Rule.
2. Other Savings realized by reduced audit duplication, personal time, fewer audit requirements (e.g., district courts and school food services), and the efficient centralization of local government financial information.

TECHNICAL NOTES:

1. Should the dollar amounts on page 7, lines 21 and 22, be consistent with those on page 13, lines 7 and 8?
2. Page 27, lines 9 through 12 "must be paid". . ."from the equalization aid account." Could be amended to add "or other federal special revenue available for this purpose."

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